

# **What Keeps Sales Managers Up at Night**

**By Deva Rangarajan**

**Associate Professor, Vlerick Business School**

**Reep 1, Gent, 9000 Belgium**

**[deva.rangarajan@vlerick.com](mailto:deva.rangarajan@vlerick.com)**

**Type of Contribution: Qualitative Field Study**

**Key Words: effectiveness, efficiency, solution selling**

## **What Keeps Sales Managers Up at Night**

**Abstract:** Demanding customers, stiff competition, focus of companies on short term gains has meant that the sales manager today is under tremendous pressure to cope with these problems or run the risk of seeing declining revenues, decreasing margins, dissatisfied customers and loss in market shares for their companies. Based on interviews with 40 sales executives, we identify five key problems facing the sales manager and how they manage these problems.

A recent decision by the British based medical device manufacturer Smith & Nephew to go rep-less for its no frills solution Syncera raised quite some eye-brows from sales pundits with one analyst going so far as to term the phrase “Death of the Device Salesman” (Eisner 2014). While the jury is still out about the long term effectiveness of this sales approach, the medical industry today has been forced to reconsider the way it deploys its sales resources. To put things in perspective, a recent article suggests that top pharma companies spend close to 875 million USD each, on their sales force, despite reports from consulting companies like ZS associates in the US that only 51% of the doctors in their sample prefer a face to face (F2F) visit from a sales rep and similar numbers being reported in an European sample of 375 specialist doctors (Schenck, 2015). Interestingly enough, across some big European countries, specialist doctors increasingly preferred to engage with pharmaceutical companies through a multichannel marketing and sales approach (Schenck 2015). This has led quite some pharmaceutical companies to reconsider the traditional F2F selling model and an increased focus on a multichannel marketing and sales approach towards the customer.

Interestingly enough this situation is not restricted to the medical industry. A review of the financial statements of three major tech companies, IBM, Microsoft, and Apple indicates that these companies spend on an average 50% more on marketing and sales than on their R&D budgets (Dainty 2014), while a company like GE spent around 30 billion USD on SG&A in 2014 on revenues of around 150 billion USD (Maketwatch 2015). While these numbers do not indicate problems as such, a recent study by the Corporate Executive Board (CEB) suggests that not only do B2B buyers complete 57% of their buying decision before seeing the sales rep, close to 77% of the buyers indicated that they would talk to the salesperson only after they had done their own research (Zelaya 2014). If buyers are increasingly trying to bypass the salesperson and if the users (as in the case of doctors above) prefer other ways to interact with their supplier organizations besides F2F meetings with salespeople, sales organizations today have no other choice but to rethink their complete sales approach towards their customer base. Not taking into consideration the above changes could result in sales organizations seeing their revenues and margins decrease, alienation of their customer base thus giving an opportunity for a more agile competitor (or a complete newcomer) to sneak in, decreased customer satisfaction consequently leading to a decrease in market share.

In order to understand the various challenges faced by sales managers, I set out to understand the main challenges facing them and how they cope with these issues. Based on extensive in-depth interviews with over 40 sales directors/managers from both local and multi-national organizations, active in both the B2B and B2C spheres, I identified 5 main trends that sales managers are busy with today. While these five trends by themselves seemed obvious and almost ubiquitous, most sales executives were not sure about the impact each one of these five trends were likely to have on their sales management practices and how to actually going about dealing with this to ensure the effectiveness of their sales efforts.

## **Five Major Trends**

The data for this research was collected based on personal interviews with sales executives from industrial companies, technology-oriented companies, financial services companies, consumer goods manufacturers, and a couple from the health-care sector. The five trends that I identified were raised as concerns by almost all sales executives across the industries represented in my research, while the impact of these trends on sales effectiveness varied according to the industry.

### *1. Move from Products to Solutions*

All the sales executives in this research mentioned that a fear of commoditization of their product offering was forcing them to transition to provide more customer oriented solutions, in the hope that this would differentiate them from rather fierce competition, help create more value for the customer and in the process gain more margins. While this logic makes intuitive sense, getting the sales force to sell these solutions to the customer is a different story. Various reasons were cited for this issues: 1) a global manufacturer with a reputation for innovation decided to set up an innovation center and use this to showcase to their customers, the extra value add of this service to the customer. However, the salespeople did not perceive the innovation center as an extra value add to the customer and actually perceived that pushing the innovation center to the customer only added to their already existing workload without creating any perceived benefit to the customer. A year into the launch of the innovation center, the company is now taking stock of how to better position this offering not just to the end customer, but also towards the salespeople. 2) Solution selling involves a more complex sales process and dealing with multiple stakeholders in the customer's organization while product focused selling lends itself to relatively simpler sales process involving fewer stakeholders in the customer's organization. A leading medical devices manufacturer was facing a significant issue with their sales force. The traditional sales approach had mainly involved talking to end users at the customer site. But a change in regulation necessitated the customer to focus on cutting costs, which now meant that the supplier sales force now had to also provide a solution to the procurement, logistics and financial professionals in their customer's organization. This meant that the sales rep not only had to fulfil the needs of multiple individuals at the customer, they also needed additional value arguments to communicate the value of their offer. The sales executive was convinced that even with the right materials, his sales reps were not skilled enough to sell solutions

### *2. The increased influence of the procurement professional*

Another common topic of importance was the increasing influence of the procurement professional. Most sales executives in our research pointed out that procurement was undergoing quite some transformation at three levels:

a) Strategic level, where procurement practices increasingly were assimilated into a more professional supply chain strategy focusing on more structure vendor management strategies. One sales executive in our sample, mentioned that understanding the changes in the procurement/supply chain strategy of their customers was critical to understand how to allocate resources to that particular client. Not only would the sales person now have to understand the strategy of the customer's firm, they also have to learn to deal with more professional and senior procurement executives. A significant portion of our respondents mentioned that they were concerned that their salespeople would not be able to hold a

conversation with a senior procurement professional and that this would call for upskilling their current sales organization.

b) Organizational level, where the procurement organization is split into two areas, one focusing on solutions that contribute to the core of the customer's business and another area that was non-core/non-critical to the customer's business. One sales manager of a global, family held multinational mentioned that in their organization, salespeople were asked to completely redo their customer portfolio analysis (based on revenues and share of wallet with a customer) and were requested specifically to focus more on how important was their organization in the value chain of their customer. This necessitated the sales force to evaluate the value of their offerings to their customer base and helped them better focus more on those customers where they could deepen their relationship based on the value they created for the customer.

c) Process level, where procurement organizations were harnessing the power of advanced technologies to better deal with their suppliers. Sales managers in our study frequently mentioned that if the customer did not necessarily perceive the differentiated offer that their sales force would put forth to the customers, procurement would then resort to commoditizing the offers and this would force the sales organizations to reconsider their cost of sales and forcing them to consider setting up web shops, doing more telesales, and invest in tools like Electronic Data Interchange (EDI).

### *3. The ever increasing sales cycle time.*

As sales organizations start focusing on selling complex solutions to demanding, professional procurement professionals, they find an unwelcome consequence of this trend. Complex solutions not only requires selling more intangible features and benefits that are difficult to comprehend and communicate- both for the customer and the salesperson themselves. In the case of the salesperson this would either result in increased effort in trying to sell the complex solution or the procurement professional resorting to involve more members of the decision making unit to ensure that no mistakes are made in making the right decision. In both of these situations- the outcome is the same. The sales cycle time just got longer. According to our sales managers, increased sales cycle times resulted in any one (or all) of the following difficult situations: a) more stress for the salespeople when their efforts to sell new solutions are met with reluctance from the customer in addition to the sales organization not changing the performance measuring parameters (KPIs) for the salespeople to account for increased sales times, b) if the salespeople perceive the selling to be complex, they might not position the new solution to the customer or might resort to price reductions to get a quick sale, c) sales forecasts become less predictable resulting in strained relations with other internal stakeholders like supply chain, operations, manufacturing, finance, etc.

### *4. The increasing cost of making the sale*

One of the biggest concerns most sales executives mentioned during their interviews was about the commoditization of their offers. A majority of the sales executives claimed that there was a growing trend amongst the customers to do additional research about their own needs and specifications before they reached out to salespeople. While this trend by itself was not seen as a threat, the fact that a majority of this research was done by procurement professionals not very familiar with the nuances of the solutions they were seeking and this resulted in Request for Proposals (RFPs) that were either too vague or too complicated for the problem at hand. This ended up complicating the sales process with sales people spending more time on complicated RFP's rather than focus on value creating opportunities. One sales

manager actually mentioned that if salespeople were only involved at the RFP stage, then close to 80% of value creating opportunities were exhausted, leaving very little room to negotiate except price. While the obvious option to counter this would be to move early up in the buying process, sales managers in our research expressed concerns that doing this, did not always guarantee a sale, as some of their customers ended up using the information provided by the sales force to come up with a RFP and gave the order to a competitor. Another fallout of this approach would involve the opportunity costs involved in moving up the buying process, as this could be time put to better use with more forthcoming customers. One of the companies in our sample, actually had an innovative way to deal with customers who requested more information before floating a RFP. This stage termed RFI (Request for Information) was seen as a consulting opportunity with the sales force of the supplier instructed to charge the customer for providing this information that would then be deducted from the final invoice in case the order was placed with the same supplier. Another innovative approach taken by a medium-sized organization to deal with RFPs and tenders was to take this duty away from the salespeople and actually hire two mathematicians who would calculate the probability of making the sale and work with a pre-sales team. This would then decrease the opportunity costs (not to mention the stress levels) for the sales force, while having a more clear idea about when to chase a deal and when to cut your losses.

### *5. Sales force enablement*

As mentioned earlier, the world of the sales person has changed enormously. Complex solutions, demanding customers, cut-throat competition, advances in technology aiding procurement professionals, etc- has meant that the sales force need more support from their managers and top management now more than ever. Most sales managers interviewed in this research mentioned sales enablement as a key to the effective and efficient running of their sales force. However, most sales managers had a completely different view on how to make this happen. The biggest issue with most sales executives today seems to be the quest for the “silver bullet” that will solve all of their sales issues. This quest invariably ends up in sales organization investing in expensive tools like CRM, Social Selling, Lead Management tools, Customer Experience, E-Commerce- without understanding the basic sales strategy and sales process behind the same.

Some of the more enlightened sales managers highlighted the importance of having a clear sales force effectiveness framework to guide them through managing the sales force before investing in tools. For example, one company which was in the healthcare business decided to understand the changes to their customers business and the corresponding impact it had on the business model of their own organization and ended up using a simple marketing-led, lead generation tool to help their salespeople manage their leads better. Another start-up organization in our sample found out that cold calling on customers was creating a lot of negative vibe both with prospects and salespeople and decided to roll out a Social Selling strategy aimed at better targeting their prospects. Another organization in our sample found that its sales force did not have sufficient time to meet up with all the stakeholders of their key accounts and so engaged in Account-Based Marketing as a way of using personalized messaging with key accounts, thereby freeing up time for the sales force to focus on the right priorities. Almost all sales executives interviewed mentioned that they were struggling with CRM and had various remedial practices put in place to ensure that CRM was seen as part of a strategic initiative within their organization to become more customer centric, rather than just viewing CRM as a tool.

## **Discussion and Conclusion**

As sales managers look for ways to improve their top line growth and sales efficiency, they should understand the various challenges that their sales forces face today. Understanding these issues and coming up with strategies and tactics to help the sales force is going to be critical in understanding the effective sales organization. In particular sales executives need to realize that procurement is becoming more professional and is likely to test the capabilities and skills of the suppliers' sales force. A likely consequence of this customer professionalization is going to be a more complex sales process involving multiple stakeholders from the customer's organization and an ever increasing sales cycle resulting in increased cost of sales. Enabling the sales force to deal with these issues is going to be the most daunting challenge for sales executives.

However, our interviews with the sales executives yielded some good ideas. Sales executives must realize that a careful understanding of the business and economic environment in which their sales force operates in, should be an absolute necessity for setting the right sales force strategy. Understanding the sales process involved in dealing with different customer segments with varied requirements should result in the appropriate Go-to-Market strategy including options of dealing with third parties, e-commerce and managing their own in house sales teams. Understanding the various sales process should help sales managers choose the appropriate tools to help enable their salespeople. And last but not the least, sales executives must realize that selling in the future is going to get more complex and coming up with the right metrics to measure the performance of the sales force will likely result in under motivated, under achieving, under efficient sales forces that will have a negative impact on the sustainability of their firms.

## **References**

- Bolesh, E (2014). Top Pharma Sales Spend an Average of \$885 million. (<http://www.prnewswire.com/news-releases/top-pharma-sales-forces-spend-an-average-875-million-75423532.html>)
- Dainty, I. (2014). What Percentage of Revenue Should B2B companies Spend on Marketing and Sales. (<http://www.business2community.com/b2b-marketing/percentage-revenue-b2b-companies-spend-marketing-sales-0729578>)
- Eisner, W. (2014). Smith & Nephew Goes Rep-Less With Some Hips and Knees. (<https://ryortho.com/breaking/smith-nephew-goes-rep-less-with-some-hips-and-knees/>)
- Marketwatch (2015). <http://www.marketwatch.com/investing/stock/ge/financials>
- Schenck, F. (2015). The Multichannel Sales Rep. Across Health Webinar
- Zelaya, J. (2014). 23 Shocking Social Selling Secrets. Triblio. (<http://www.triblio.com/social-selling-statistics/>)